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UNICEF Office of Internal Audit and Investigations 2014 annual report to the Executive Board

Summary

The present report provides information on the activities of the Office of Internal Audit and Investigations during the year ended 31 December 2014. It delivers an overview of the Office of Internal Audit and Investigations, describes the key issues highlighted by its internal audit and investigations work, and provides information on the disclosure of internal audit reports during 2014. The management response to the report is presented separately, as requested by the Executive Board in its decision 2006/18. The annual report of the UNICEF Audit Advisory Committee for 2014 may be found on the Executive Board website.

* E/ICEF/2015/4.

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I. Executive summary

1. The Office of Internal Audit and Investigations (OIAI) provides UNICEF with independent and objective assurance and advisory services in accordance with the OIAI Charter.

2. Internal audits performed by OIAI help to strengthen UNICEF transparency and accountability regarding the efficient and effective use of resources for achievement of results for children. The investigation function of OIAI helps UNICEF to implement a zero-tolerance policy on misconduct, fraud and corruption by investigating allegations of corrupt or fraudulent practices or misconduct involving UNICEF and parties working for or with the organization. Because the remit and activities of OIAI cover the work of the entire organization, the Office is also able to focus management attention on trends in the effectiveness of its controls.

3. At year-end 2014, OIAI had issued 39 internal audit reports, and an additional 15 were in varying stages of completion. The reports issued contained a total of 525 actions (including 127 rated high priority) that management had agreed to implement to address the risks identified. OIAI also completed seven advisory engagements, issuing reports for six of them. OIAI reviews the status of implementation of the agreed actions to ensure that residual risks are addressed by management in a timely and effective manner.

4. OIAI handled 124 investigation cases in 2014. This included 45 carry-over cases from 2013 and 79 new cases received in 2014. OIAI completed 72 investigation cases in 2014, the majority of which involved either: (a) fraud involving misuse of programme funds by third parties; (b) inappropriate staff conduct; or (c) harassment and abuse of authority. OIAI follows up on the status of actions taken by management in response to an investigation report, including whether identified funds at risk have been recovered.

5. In accordance with Executive Board decision 2012/13, OIAI has continued to publicly disclose internal audit reports, thus directly contributing to UNICEF efforts to increase accountability and transparency to stakeholders. Of the 39 internal audit reports issued in 2014, 21 country office and 4 non-country office audits had been publicly disclosed in full by the end of 2014. Two reports were withheld by the Director of OIAI in 2014 after determining that the reasons for the requests to withhold them met the criteria laid down by Executive Board decision 2012/13. The remaining 12 reports were in the process of review as at 31 December 2014.

6. The Audit Advisory Committee (AAC) continued to independently advise the Executive Director on ways to strengthen the internal audit and investigations functions of UNICEF. OIAI continued to engage with the AAC by sharing the annual workplan prior to its approval, providing periodic updates on the progress of its implementation, and sharing emerging trends and practices in internal audit and investigations.

7. OIAI continued to receive strong support from the UNICEF Executive Director and senior management, who have remained committed to developing and implementing adequate organizational strategies, policies and processes to address the risks identified.

8. In 2014, OIAI was free from interference in determining its audit and investigations scope, performing its work and communicating its results. The Office has been able to meaningfully contribute to the overall oversight system of UNICEF by providing an adequate level of assurance on the state of UNICEF internal controls and contributing to their strengthening.

II. Mandate and strategic approach

9. The authority and operational independence of OIAI are established in the UNICEF Financial Regulations and Rules and defined in the OIAI Charter. The most recent version of the Charter was approved by the Executive Director on 29 May 2012.

10. OIAI aims to help UNICEF to fulfil its fiduciary responsibilities in achieving its programme goals, so that the organization can do more for children. Internal audits accomplish this by providing independent, objective assurance and consulting services designed to add value to UNICEF operations. OIAI investigations help UNICEF to implement a policy of zero tolerance for misconduct, fraud and corruption by examining and determining the veracity of (a) allegations of corrupt or fraudulent practices involving UNICEF and parties working for or with UNICEF, and (b) allegations of misconduct involving UNICEF staff, consultants, non-staff personnel and institutional contractors.

11. In addition to providing specific audits and advisory and investigation services, OIAI adds value to UNICEF by focusing senior management's attention on trends in risks and the effectiveness of controls. OIAI can do this because of its independence and objectivity. It also has a broad institutional remit that enables a comprehensive overview of core business processes. This allows the Office to analyse processes and identify the root causes of weaknesses in internal controls.

12. The main elements leading to effective and efficient implementation of the OIAI mandate are (a) its functional independence and access to people (UNICEF staff, non-staff personnel, consultants, etc.) and records; (b) sufficiency of resources; (c) appropriate internal audit and investigation coverage stemming from rigorous risk assessment; (d) quality and timeliness of audit and investigation results; and (e) usefulness of these results to key stakeholders.

13. OIAI maintains systems to ensure (a) adequate risk-based planning; (b) identification of fraud risks for follow-up action; (c) a quality assurance and improvement programme for audit and investigations; (d) sufficiency of staff resources; and (e) access to and cooperation with the Executive Director and senior management, along with key UNICEF partners.

14. In 2014, the AAC continued to provide independent advice to the Executive Director to promote the effectiveness of internal audit and investigation functions. The Committee reviewed the OIAI annual workplan, quarterly reports and the 2013 annual report to the Executive Board. It also reviewed the status of actions taken by OIAI to address the recommendations of the 2013 external quality assurance review reports for internal audit and investigations (see paragraph 18 below).

15. OIAI continued to receive strong support from senior management. The OIAI Director had regular, productive meetings with the Executive Director and senior management to discuss progress in implementing the OIAI workplan and the results

from audit and investigations. The OIAI Director also participated in senior management meetings as an observer, helping to increase awareness of key risks and issues for follow-up by OIAI.

16. OIAI continued to participate in the activities of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions. Based on the audit frameworks agreed upon with this group's members in 2007 (for multi-partner trust funds) and in 2011 (for the Delivering as One (DaO) programme), OIAI participated in four inter-agency audits to address common risks, two of which were completed in 2014 (see paragraphs 42 and 43 below).

17. OIAI also continued to be represented on the Organizing Secretariat of the Conference of International Investigators. It cooperated with the heads of investigation sections across the United Nations system to share information and good practices.

18. Following the independent quality assurance review in 2013, OIAI continued to be generally compliant with the International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors, and the Uniform Guidelines for Investigations (endorsed by the 10th Conference of International Investigators in 2009).

III. Resources

19. The office had a budget allocation of $7.3 million for 2014, of which 99.7 per cent was expended by year end. The largest expenditure categories were staff salaries and travel. During the year, OIAI was also provided additional budget support of $150,000 to replace its audit software.

20. In 2014, the OIAI structure included 32 staff positions: director, deputy director, 2 chiefs of audit, chief of investigations, senior auditor responsible for professional practices, editor, 17 auditors, 5 investigators and 3 administrative assistants. All positions in OIAI were filled by 31 December 2014.

21. Support was also received from 21 operational staff from UNICEF country offices, who assisted OIAI in audits of country offices other than their own, under the direct supervision of the OIAI audit team. The approximate cost to OIAI for this support totalled $110,600 for travel expenditures.

22. OIAI engaged third-party consultants to support internal audit and investigation activities. The consultancies, which involved an expenditure of $199,275, included: (a) investigation services support ($85,123); (b) risk assessment of the Philippines Country Office ($23,047); (c) audit of payroll management in UNICEF ($58,750); and (d) risk assessment of the information and communication technology (ICT) function within UNICEF ($32,355).

IV. Basis for providing independent assurance to the Executive Director and the UNICEF Executive Board

23. OIAI hereby confirms its organizational independence. In 2014, OIAI was free from interference in determining its audit coverage, performing its work and communicating its results.

24. Internal audits in 2014 supplemented other oversight mechanisms that provide assurance to the Executive Director and the Executive Board concerning the adequacy and effectiveness of governance, risk management and control processes to ensure (a) efficient and effective use of UNICEF resources; (b) safeguarding of assets; (c) compliance with regulations, rules and policies; and (d) reliable reporting on financial and programme performance.

25. The OIAI internal audit workplan was fully risk-based and covered an appropriate mix of business units, functions and activities at the headquarters, regional and country levels. OIAI identifies areas of higher risk for UNICEF through a bottom-up approach. This involves reviewing prior audit results; leveraging knowledge of risks and controls; regularly consulting with management; and collaborating with the United Nations Board of Auditors and the UNICEF Evaluation Office, Ethics Office and risk officer. This is complemented by a top-down approach, in that OIAI fully considers institutional priorities and management's view of risks to determine risk criticality and establish annual priorities for audit.

26. The OIAI annual workplan is reviewed by the AAC and approved by the Executive Director. OIAI adjusts its workplan throughout the year, mainly on the basis of revised priorities and changing security conditions in the field. OIAI also submits a quarterly report to the Executive Director and the AAC that explains these modifications to the approved workplan.

27. The OIAI 2014 workplan included 74 outputs, with a forecast to complete 14 audits carried over from 2013 and 43 audits started in 2014, and for the remaining 17 outputs to be at different stages of advancement by year end (including 10 in draft form and 7 where field work had been completed). As of 31 December 2014, OIAI had completed 39 audits and had 9 audit reports in draft form and 6 more in the fieldwork or planning phase. Nineteen audits were cancelled and one audit was converted to an advisory engagement (see paragraph 29 below). OIAI also completed seven advisory engagements, issuing reports for six of them. Annex 1 presents the titles of the internal audit and advisory reports issued in 2014.

28. The 39 audits completed in 2014 included 33 country office audits, 2 regional office audits, 2 headquarters audits and 2 inter-agency audits. The two headquarters audits involved two business functions related to ICT.

29. The 19 audits that were cancelled in 2014 included 11 country office audits, 7 headquarters/thematic audits and 1 coordinated audit of the South Sudan Common Humanitarian Fund. For four country office audits and the coordinated audit, the cancellation was due to security or safety concerns. Six country office audits were cancelled due to scheduling and staffing constraints. The cancellations of headquarters/thematic audits were mainly due to recognition that auditing the units and functions affected by the 2014 reorganization of UNICEF headquarters would be ineffective. As part of the OIAI 2015 workplan, the risks for the cancelled audits

were reassessed and 13 of the 19 audits cancelled in 2014 were included in the 2015 workplan.

V. Disclosure of internal audit reports

30. The audit work of OIAI directly contributed to UNICEF efforts to provide greater accountability and transparency to stakeholders. In accordance with Executive Board decision 2012/13, OIAI has publicly disclosed all internal audit reports issued after 30 September 2012. Of the 39 internal audit reports issued in 2014, 21 country office and 4 non-country office audits had been publicly disclosed in full by the end of 2014. A further two[1] were withheld by the Director of OIAI in 2014, subsequent to comments received from the concerned Member State and the Executive Director, respectively. The Director of OIAI made such decision after determining that the reasons for the requests to withhold the reports met the criteria outlined in Executive Board decision 2012/13. The remaining 12 reports were in the process of review as at 31 December 2014. All reports disclosed to date may be viewed on the OIAI pages of the UNICEF website at <www.unicef.org/auditandinvestigation>.

31. Executive Board decisions 2009/8 and 2011/21 regarding limited disclosure relate only to those reports issued by OIAI from 2009 to the end of September 2012. In 2014, OIAI made available three internal audit reports to be viewed by two Member States and approved non-Member States through the legacy remote access system.

VI. Internal audit results

A. Actions agreed by management

32. The 39 internal audit reports issued by OIAI contained a total of 525 actions that management agreed to take in order to address the risks and weaknesses identified by the audits. Of these, 127 (24 per cent) were rated as high priority (i.e., requiring immediate attention) and 398 (76 per cent) were rated as medium priority. The number of high-priority agreed actions in each of the internal audit reports issued is provided in annex 1.

33. Audits of country offices, regional offices, headquarters and thematic audits include a review of key processes under the risk areas UNICEF has defined under its risk assessment and reporting structure. OIAI has categorized the actions agreed by management as shown in table 1.

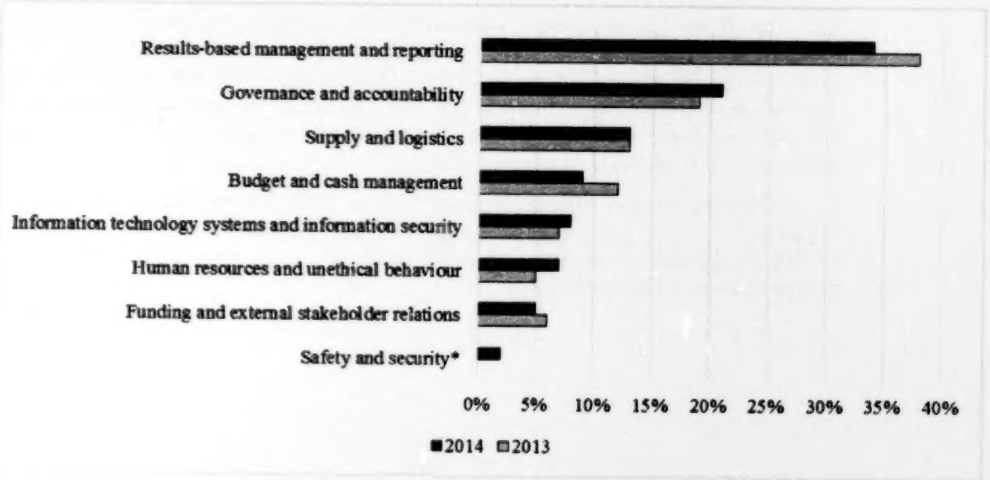
[1] Audit of the China Country Office and the Audit of Management of UNICEF Websites.

Table 1
Number of agreed actions by key risk area, 2014

Risk area	Number of agreed actions		Percentage of total	
	Total	High priority	Total	High priority
1. Results-based management and reporting	180	54	34	42
2. Governance and accountability	113	15	22	12
3. Supply and logistics	70	15	13	12
4. Information technology systems and information security	44	11	8	9
5. Budget and cash management	48	10	9	8
6. Funding and external stakeholder relations	24	9	5	7
7. Human resources and unethical behaviour	38	9	7	7
8. Safety and security	8	4	2	3
Total	**525**	**127**	**100**	**100**

34. The distribution of agreed actions by UNICEF risk areas in 2014 shows a similar pattern as in 2013, with three areas presenting the highest levels of residual risks: results-based management and reporting, governance and accountability, and supply and logistics. These areas represent 69 per cent of all agreed actions (and 66 per cent of high-priority actions). A comparison between 2013 and 2014 is shown in figure I below.

Figure I
Distribution of agreed actions by key risk area for 2013 and 2014



* There were no agreed actions relating to safety and security in 2013.

35. The key processes where risk management action should continue to be prioritized for results improvement are described in annex 2.

36. UNICEF management has agreed and taken action to address issues identified in internal audits in order to further improve the management for results. The key causes of the issues are addressed in paragraph 42 below.

B. Distribution of audit ratings

37. Based on the results of an audit, OIAI assigns an overall audit rating. Listed from positive to negative, these ratings are: (a) unqualified, (b) moderately qualified, (c) strongly qualified, or (d) adverse. This four-tier rating allows management to get an overall picture of audit results for the organizational unit or function audited and to focus risk management efforts on those that are rated "adverse" or "strongly qualified". The ratings of adverse and strongly qualified mean that OIAI is of the view that controls and processes related to the unit or function audited need improvement in order to be adequately established and functioning. Conversely, "unqualified" and "moderately qualified" audit ratings signal to management that controls and processes are generally established and functioning as intended.

38. Out of 39 internal audit reports issued in 2014, 25 (or 64 per cent) were satisfactory overall, and 14 (or 36 per cent) showed a need for improvement. Table 2 presents the distribution of ratings by type of audit.

Table 2
Distribution of audit ratings

Audit area		*Number of audits*	*Number of unqualified (satisfactory) ratings*	*Number of moderately qualified ratings*	*Number of strongly qualified ratings*	*Number of adverse ratings*
	WCARO	5	0	1	3	1
	LACRO	9	2	5	2	0
	ROSA	3	0	2	1	0
Country office audits	MENARO	6	0	2	4	0
	ESARO	3	0	2	1	0
	EAPRO	4	0	3	1	0
	CEE/CIS	3	1	2	0	0
Inter-agency audits		2	0	2	0	0
Headquarters/thematic		2	0	1	0	1
Regional offices		2	0	2	0	0
Total		**39**	**3**	**22**	**12**	**2**

C. Significant results of country office audits

39. The 33 country office audits completed in 2014 were all full-scope audits. Table 3 below shows the distribution of the 463 agreed actions by risk area and region. The proportion of agreed actions for each region is also influenced by the number of audits done for that region, and hence is not a comparative assessment among regions of the adequacy of their risk management actions.

Table 3
Distribution of agreed actions by risk area and region

Risk area	*MENARO 6 audits*	*LACRO 9 audits*	*WCARO 5 audits*	*EAPRO 4 audits*	*ESARO 3 audits*	*ROSA 3 audits*	*CEE/CIS 3 audits*	***Total 33 audits***	***Percentage of total***
Results-based management and reporting	33	35	33	20	20	18	13	**172**	**37**
Governance and accountability	28	21	19	10	6	4	8	**96**	**21**
Supply and logistics	11	14	19	5	8	9	1	**67**	**14**
Budget and cash management	9	8	6	4	4	6	4	**41**	**9**
Human resources and unethical behaviour	9	6	8	4	6	3	–	**36**	**8**
Funding and external stakeholder relations	4	7	4	3	1	2	2	**23**	**5**
ICT systems and information security	5	6	1	3	3	3	1	**22**	**5**
Safety and security	1	–	2	2	1	–	–	**6**	**1**
Grand total	**100**	**97**	**92**	**51**	**49**	**45**	**29**	**463**	
Percentage of total	**22**	**21**	**20**	**11**	**10**	**10**	**6**		

40. The three most significant risk areas identified for continuing management action include results-based management and reporting, governance and accountability, and supply and logistics. These areas accounted for 72 per cent of all agreed actions. From the OIAI viewpoint, the main cause for the weaknesses identified in these areas was the insufficient level of compliance with the relevant UNICEF policies and procedures, which OIAI considered to be generally appropriate to manage risk.

41. OIAI identified gaps in risk management strategies, inadequate office and management structures, and insufficient staff and partner capacities. As a result, in some countries, concerns remained regarding assurance on the efficient use of resources and achievement of expected results. In the area of governance and accountability, the lack of compliance with existing policies related to the use of statutory and advisory committees and delegation of authority in managing risks. In regard to supply and logistics, compliance issues had primarily to do with processes related to local procurement and contracting, and warehousing and distribution of goods.

D. Significant results of inter-agency audits

42. The Democratic Republic of the Congo Pooled Fund Consolidated Summary Report (2014/07): The Democratic Republic of the Congo Pooled Fund was established in 2006 for humanitarian activities in the country. During 2013, there were a number of coordinated audits of the Fund conducted by participating agencies, including UNICEF (see OIAI report 2013/15). In 2014, the United Nations Development Programme (UNDP) issued a consolidated report based on these audits. The key recommendations of the UNDP consolidated audit concern the lack of a strategic approach to winding down the Fund's emergency activities,

insufficient resources for cluster management, the absence of a monitoring and evaluation system, and gaps in implementation of the harmonized approach to cash transfers. The report included three recommendations specifically addressed to UNICEF, which were previously addressed by OIAI as part of the Report of the Democratic Republic of the Congo (DRC) Pooled Fund (2013/15) issued on 21 May 2013. These recommendations included clarifying UNICEF roles and responsibilities as the cluster coordinator; strengthening programme monitoring; and management of cash transfers — none of which were rated as high priority by OIAI.

43. Joint Audit of the Delivering as One in Pakistan 2014/15 (UNDP No. 1247): DaO aims to produce a more unified United Nations structure at country level. The joint audit covered the activities of DaO in Pakistan and focused on its five pillars (One Leader, One Programme, One Fund, Operating as One, and Communicating as One). The audit was conducted by the internal audit services of six United Nations agencies — the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the United Nations Population Fund, the United Nations Industrial Development Organization, UNDP and UNICEF. The audit concluded that implementation of DaO in Pakistan was partially satisfactory and made a number of recommendations, of which seven were accorded high priority. The recommendations concerned gaps in harmonization of development and humanitarian planning and monitoring, implementation of the Management and Accountability Framework and the monitoring framework for Strategic Priority Areas, monitoring structures and processes, and a strategy to harmonize business processes and procedures. None of the seven high- and eight medium-priority risks included in the report were specifically addressed to UNICEF for action.

E. Significant results of headquarters and regional office audits

44. Internal Audit of the Management of UNICEF Websites (2014/16): There are two key global websites in UNICEF: <www.unicef.org>, managed by the Division of Communication and the Information Technology Solutions and Services Division; and <www.supportunicef.org>, managed by the Private Fundraising and Partnerships Division. The audit of the management of these websites made a number of recommendations[2] covering the areas of digital governance function and framework, management of enterprise web content, security assessments and website privacy policies.

45. Internal Audit of the Regional Office for South Asia (2014/23): The audit covered the regional office's governance and operations management and its oversight and support to country offices in the region. The audit did not identify any issues that it regarded as high priority. It noted that the office had developed several tools to strengthen both its own functioning and the discharge of its role as a regional office, with the introduction of a country office support database, a trip report database, an electronic bulletin board, a customer satisfaction survey, and region-specific strategies, guidance and tools to interpret and supplement UNICEF global policies.

[2] These recommendations were issued as a confidential report to the Executive Director.

46. Report on the Audit of the Regional Office for Central and Eastern Europe and the Commonwealth of Independent States (CEE/CIS) (2014/41): The audit covered the regional office's governance and operations management and its oversight and support to country offices in the region. The audit identified one issue that it regarded as high priority; it concerned the management of the Regional Chief of ICT post, which had blurred reporting lines and did not oversee ICT services in country offices. However, the audit also noted the office had strengthened its resource management. It has developed the CEE/CIS Talent Map, which aims to recognize and share talent in the region; the Regional Knowledge and Leadership Agenda, a framework for action and knowledge in the region; and a mentoring system.

47. Internal Audit of Payroll Management in UNICEF, including Information and Communication Technology (ICT) Systems (2014/28): The audit assessed governance, risk management and control processes over payroll management, and whether payments to staff members were accurate, complete and timely. The audit identified three issues that it regarded as high priority, including: the need to monitor and account for all payroll funding reallocations and repayments between regular resources and other resources grants; ensuring that user access to payroll systems and functionality are reviewed; and strengthening management of personal advance and recovery accounts.

F. Advisory services

48. Advisory reviews provide management with guidance on risks and controls and assist in adding value to the Office's core assurance work. In 2014, OIAI issued six advisory engagement reports and completed one advisory review for which no report was issued, as follows:

(a) Support to the Pacific Island Countries Office in strengthening its cash transfer function;

(b) Support to the Philippines Country Office in responding to major emergency incidents;

(c) Advice on reinforcement of the governance of the project to revamp the unicef.org website;

(d) Opinion on the need for a special audit of an implementing partner of the Côte d'Ivoire Country Office;

(e) Risk assessment of the ICT function;

(f) Support to strengthening oversight capability of the West and Central Africa Regional Office;

(g) Support to donor verifications (no report).

G. Follow-up on audit recommendations

49. As part of its audit activity, OIAI continued to undertake regular desk reviews to follow up on the progress of implementation of all actions agreed by management. Actions that have not been implemented for more than 18 months

from the date of issuance of the final audit report are included in the OIAI quarterly reports for the attention of the Executive Director, senior management and the AAC.

50. As of 31 December 2014, there were 20 outstanding recommendations older than 18 months. Two related to country offices and 18 to headquarters and thematic areas (see annex 3).

VII. Investigations results

A. Case management

51. OIAI managed 124 investigation cases during 2014, as shown in table 4. This included 45 cases carried over from 2013 and 79 allegations received in 2014 that were found to constitute serious suspicions of wrongdoing. At the end of 2014, 34 of the 45 cases carried over from 2013 and 38 of the new cases received in 2014 had been closed. Eleven of the cases carried over from 2013 were ongoing, which mainly involved allegations of complex fraud by implementing partners, and 41 of the new cases received in 2014 were ongoing.

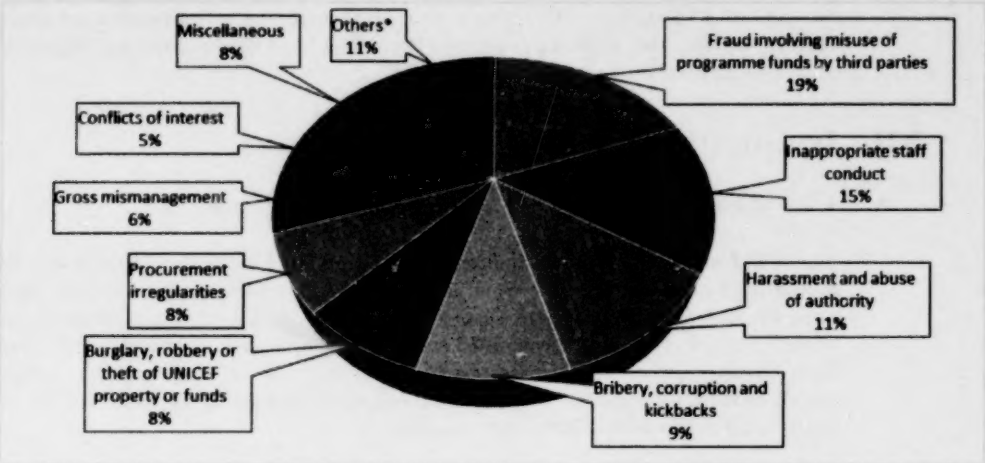
Table 4
Processing of investigation cases in 2014

Status of cases	*Number of cases*
Carry-over as of 1 January 2014	45
Intake during the year	79
Total cases	**124**
Closed (from cases carried over from 2013)	(34)
Closed (from intake)	(38)
Total cases closed	**72**
Cases ongoing as of 31 December 2014	52

B. Analysis of cases

52. OIAI analyses allegations and cases under 17 categories. For the year 2014, OIAI recorded cases within 15 of the 17 categories. Figure II below presents the proportion of cases among the major categories.

Figure II
Investigation cases received (intake) in 2014, by category


Miscellaneous 8%
Others* 11%
Fraud involving misuse of programme funds by third parties 19%
Conflicts of interest 5%
Inappropriate staff conduct 15%
Gross mismanagement 6%
Procurement irregularities 8%
Harassment and abuse of authority 11%
Burglary, robbery or theft of UNICEF property or funds 8%
Bribery, corruption and kickbacks 9%

* The category of "Others" above includes allegations relating to entitlement fraud, medical insurance plan (MIP) fraud, whistle-blower retaliation, sexual harassment or exploitation, unauthorized use or misuse or waste of UNICEF funds or property, and personnel disputes.

53. The majority of cases in 2014 were classified under three categories: fraud involving misuse of programme funds by third parties (15 cases); inappropriate staff conduct (12 cases); and harassment and abuse of authority (9 cases). These three categories totalled 45 per cent of all investigation cases. In 2014 OIAI received the first reported cases of whistle-blower retaliation (2 cases). There were no cases in 2014 under the categories "forgery" and "willfully making false allegations".

54. The majority of cases originated from the Eastern and Southern Africa region (29 per cent), the West and Central Africa region (21 per cent) and the South Asia region (15 per cent).

55. The 52 cases ongoing as of 31 December 2014 mainly consisted of allegations of fraud involving misuse of programme funds by third parties (22 cases), bribery, corruption and kickbacks (6 cases) and procurement irregularities (6 cases).

C. Disposition of completed cases

56. In 37 instances (or 51 per cent of 72 completed cases), a case was closed because OIAI could not substantiate the allegation. Another nine matters were considered to be outside the purview of OIAI and referred for action to a UNICEF office or to another United Nations organization. Most of the referrals are categorized as miscellaneous, meaning they do not require an investigation by OIAI as they relate to a question or concern about delivery of services or supplies that should be addressed by the country or region. The disposition of all cases completed in 2014 is described in table 5 below. The disposition of all cases by allegation is shown in annex 4.

Table 5
Disposition of investigation cases completed in 2014

Type of closure	*Number of cases*	*Percentage of total*
Closure memorandum	**49**	**68**
1a) Allegation not substantiated	37	
1b) Allegation in which no offender was identified	6	
1c) Allegation in which staff member left the organization during the investigation	6	
Investigation report submitted to	**14**	**19**
2a) Division of Human Resources	12	
2b) Ethics Office	2	
Referral made to	**9**	**13**
3a) UNICEF office	8	
3b) United Nations organization	1	
Total cases closed in 2014	**72**	**100**

57. Of the 72 cases closed in 2014, 58 per cent were closed within six months of receipt of the allegation.

58. OIAI identified potential losses amounting to $728,552 in 16 cases. Management notified OIAI that $47,169 had been recovered as of 31 December 2014. A breakdown of these amounts is presented in table 6 below.

Table 6
Financial impact of investigation cases in 2014

Category	*Amount of potential loss**	*Amount recovered*
Procurement irregularities	$383 258	$8 300
Fraud involving misuse of programme funds by third parties	$257 941	$17 504
Burglary, robbery or theft of UNICEF property or funds	$66 730	$742
Entitlement fraud	$19 000	$19 000
Medical insurance plan fraud	$1 623	$1 623
Total	**$728 552**	**$47 169**

* These amounts refer to the financial impact of the loss assessed by the investigations. The actual loss is, however, subject to the extent of the recoveries made.

D. Disciplinary measures and other actions taken

59. OIAI submitted 12 investigation reports relating to 11 staff members to the Policy and Administrative Law section of the Division of Human Resources. OIAI also submitted reports related to two cases of whistle-blower retaliation to the Principal Advisor, Ethics Office, for appropriate action as per CF/EXD/2007-005.

By the end of 2014, the following actions had been taken by the Policy and Administrative Law section of the Division of Human Resources:

(a) one dismissal

(b) two demotions with deferment of eligibility of promotion for one year

(c) two demotions

(d) one written censure for five years

(e) one written reprimand

(f) one separation from the organization with compensation

(g) one report that resulted in no further action.

Annex 1

Audit and advisory reports issued in 2014[1]

No.	Reference number	UNICEF country office audits	Number of agreed actions[2]		Report conclusion[3]
			Total	High priority	
1.	2014/02	Côte d'Ivoire Country Office	21	10	Q-S
2.	2014/03	Bangladesh Country Office	10	3	Q-M
3.	2014/04	Eastern Caribbean Area Office	12	3	Q-M
4.	2014/05	China Country Office	10	3	Q-M
5.	2014/06	Eritrea Country Office	16	6	Q-S
6.	2014/08	Bolivarian Republic of Venezuela Country Office *(Remote audit)*[4]	5	2	Q-M
7.	2014/09	Liberia Country Office	13	5	Q-S
8.	2014/10	Plurinational State of Bolivia Country Office	10	2	Q-M
9.	2014/12	Democratic People's Republic of Korea Country Office	4	1	Q-M
10.	2014/13	Djibouti Country Office *(Remote audit)*	18	5	Q-S
11.	2014/14	Pacific Islands Countries Office	23	5	Q-S
12.	2014/17	Belize Country Office *(Remote audit)*	9	0	U
13.	2014/18	Mali Country Office	25	15	A
14.	2014/19	Myanmar Country Office	14	2	Q-M
15.	2014/20	Ghana Country Office	14	2	Q-M
16.	2014/21	Sudan Country Office	19	6	Q-S
17.	2014/22	Turkey Country Office	12	2	Q-M
18.	2014/24	Nepal Country Office	13	4	Q-S

[1] Audit and advisory reports are listed by report reference number. Reports numbered from 1 to 10 are for audits carried over from 2013.

[2] Some medium- or high-risk agreed action plans were communicated to the Executive Director confidentially to prevent organizational exposure to the related risks.

[3] The report conclusions may be: Unqualified (U; satisfactory); Qualified-moderate (Q-M); Qualified-strong (Q-S); or Adverse (A).

[4] Remote audits were conducted for six country offices using a process that coupled ICT with data analytics.

No.	Reference number	UNICEF country office audits	Number of agreed actions[2]		Report conclusion[3]
			Total	High priority	
19.	2014/26	Argentina Country Office	15	4	Q-S
20.	2014/27	Libya Country Office	12	4	Q-S
21.	2014/29	Uruguay Country Office *(Remote audit)*	13	2	Q-M
22.	2014/30	Mozambique Country Office	16	2	Q-M
23.	2014/32	Malawi Country Office	17	3	Q-M
24.	2014/33	Cameroon Country Office	19	7	Q-S
25.	2014/34	Pakistan Country Office	22	2	Q-M
26.	2014/35	Belarus Country Office	14	3	Q-M
27.	2014/36	Peru Country Office	5	0	U
28.	2014/37	Turkmenistan Country Office *(Remote audit)*	3	0	U
29.	2014/38	Mexico Country Office	10	0	Q-M
30.	2014/39	Morocco Country Office *(Remote audit)*	16	4	Q-S
31.	2014/42	Chile Country Office	18	4	Q-S
32.	2014/43	Lebanon Country Office	14	2	Q-M
33.	2014/44	Jordan Country Office	21	3	Q-M
		Total	**463**	**116**	
		Regional Offices			
1.	2014/23	Regional Office for South Asia	17	0	Q-M
2.	2014/41	Regional Office for CEE/CIS	19	1	Q-M
		Total	**36**	**1**	
		Headquarters and thematic area audits			
1.	2014/16	Management of UNICEF websites	17	7	A
2.	2014/28	Payroll management in UNICEF including information and communication technology (ICT) systems	9	3	Q-M
		Total	**26**	**10**	

No.	Reference number	UNICEF country office audits	Number of agreed actions[2]		Report conclusion[3]
			Total	High priority	
		Inter-agency audits			
1.	2014/07	The Democratic Republic of the Congo pooled fund consolidated summary report (coordinated audit)	NA	NA	Q-M
2.	2014/15	Delivering as One in Pakistan (Joint Audit)	0	0	Q-M
		Advisory services*			
1.	2014/01	Support to Pacific Island Countries Office in strengthening its cash transfer function	NA	NA	NA
2.	2014/11	Support to the Philippines Country Office in responding to major emergency incidents	NA	NA	NA
3.	2014/25	OIAI's advice on reinforcement of the governance of the project to revamp unicef.org website	NA	NA	NA
4.	2014/31	Opinion of the need for a special audit of an implementing partner of the Côte d'Ivoire Country Office	NA	NA	NA
5.	2014/40	Risk assessment of the ICT function in UNICEF	NA	NA	NA
6.	2014/45	Support to strengthening oversight capability of regional office: WCARO	NA	NA	NA
		Total	**525**	**127**	

* In addition to the six items listed, during the year OIAI also provided advice to the Division of Financial and Administrative Management on European Commission verification missions. A report was not issued.
NA = Not applicable.

Annex 2

Key processes identified for priority action by management

Risk area process	*High priority agreed actions*	
	Number	*Percentage of total*
I. Results-based management and reporting	**54**	**42**
1. Support to programme implementation	20	16
2. Monitoring of programme implementation	15	11
3. Programme planning	14	11
4. Reporting	5	4
II. Governance and accountability	**15**	**12**
1. Structures	6	5
2. Roles and responsibilities	4	3
3. Performance measurement	2	2
4. Risk management	2	1
5. Priority setting	1	1
III. Supply and logistics	**15**	**12**
1. Procurement and contracting	9	7
2. Asset management	3	3
3. Inventory management	3	2
IV. ICT systems and information security	**11**	**9**
1. Provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services	11	9
V. Budget and cash management	**10**	**8**
1. Financial management	10	8
VI. Funding and external stakeholder relations	**9**	**7**
1. Resource mobilization and management	9	7
VII. Human resources and unethical behaviour	**9**	**7**
1. Staffing	8	6
2. Ethics	1	1
VIII. Safety and security	**4**	**3**
Total	**127**	**100**

Annex 3

Recommendations unresolved for more than 18 months

I. Audit of staff rotation, issued June 2011 (one recommendation; open 42 months)

1. The recommendation pertains to a governance structure for managing organizational policies, procedures and guidance that balance the practical realities of the UNICEF business model with good practices.

2. *Status: An initial draft of a new rotation policy was issued in March 2013. In progress.*

II. Audit of framework for managing policies and procedures, issued June 2012 (three recommendations; open 30 months)

3. Two recommendations pertain to a governance structure for managing organizational policies, procedures and guidance; and establishing minimum standards for policy development and management.

4. *Status: The draft Executive Directive on the UNICEF Regulatory Framework was submitted to the Deputy Executive Director (DED) Management in August 2014.*

5. The third recommendation pertains to defining a common organizational platform for storing all policies and procedures.

6. *Status: Cost options for Common Proposal 7 on the development of a corporate information, document and records management architecture were presented at the November 2013 Global Management Team meeting. In August 2014, a policy lifecycle management software based on an enterprise governance, risk and compliance quality platform was being explored.*

III. Audit of administration of separation benefits and entitlements, issued September 2012 (one recommendation; open 27 months)

7. One recommendation pertains to the protection of personnel information by exploring the possibility of having an electronic personnel filing system and other disaster backup management controls, especially increased security over personnel files.

8. *Status: No progress recorded.*

IV. Audit of the budgeting process in UNICEF, issued October 2012 (three recommendations; open 26 months)

9. Two recommendations pertain to revising the Budget Policy to ensure that the responsibilities, authorities and accountabilities of headquarters divisions and regional and country offices cover all aspects of the budgeting process; and ensuring that the revised Budget Policy explicitly supersedes previous guidance in order to avoid confusion, gaps or overlaps.

10. *Status: No progress recorded.*

11. The third recommendation pertains to development and communication of a results-based budgeting implementation strategy for both programme and institutional budgets.

12. *Status: No progress recorded.*

V. Audit of Programme Division (PD), issued December 2012 (seven recommendations; open 24 months)

13. *Status: In view of the Effectiveness and Efficiency exercise and headquarters restructuring that significantly impacted PD, OIAI requested PD and the DED Programme Group to review all agreed actions established in the audit report for current relevance and appropriateness. OIAI requested that revised action be proposed in light of the current situation. In progress.*

VI. Nigeria Country Office report, issued March 2013 (one recommendation; open 21 months)

14. The country office agrees to maintain a record of all premises provided by the Government, with full supporting documents such as memorandums of agreement between UNICEF and the Government; and to establish procedures on the use of these premises by staff for billing and collection of rent; and to ensure that only authorized persons are allowed to occupy these premises.

15. *Status: The country office was working with the Principal Adviser to the Executive Director to address the issue.*

VII. Audit of user access controls and segregation of duties, issued April 2013 (two recommendations; open 20 months)

16. One recommendation pertains to drawing up a policy formalizing the governance structure concerning user roles, documenting the processes relative to the oversight bodies and supporting teams, and seeing that governance and oversight over the Enterprise Resource Planning (ERP) system user access security becomes fully operational.

17. *Status: The User Roles Governance Group terms of reference was endorsed by the Steering Committee, including the governance structure of user roles. In progress.*

18. The second recommendation pertains to taking action so that heads of offices acknowledge accountability for the mitigating controls undertaken after segregation of duty conflicts are detected by the Approva governance, risk and compliance tool.

19. *Status: Further reporting functionality had been developed in Approva and a pilot of the Certification Manager was underway.*

VIII. Audit of baseline security in the UNICEF ERP system, issued April 2013 (one recommendation; open 20 months)

20. One recommendation pertains to updating the set of procedures covering all aspects of ERP system security, including the monitoring of ERP security.

21. *Status: Management developed a draft systems development life cycle standard, which was under review. VISION reference documentation was also maintained. In progress.*

IX. Democratic Republic of the Congo Country Office report, issued May 2013 (one recommendation; open 19 months)

22. The country office agrees to: (i) Request the advice of the Principal Adviser to the Executive Director to ensure compliance with the lease contracts, such as the completion of additional works on the office space and related penalty clauses, and immediate repairs to the roof of the second building, which includes the warehouse; and to clarify the contractual status of the old warehouses, taking into account the time that will be needed to fix the roof in the new warehouse. (ii) Document its plan to finance the additional rental cost over the duration (five years) of the lease contract for the main office space. (iii) Further pursue with the competent authority of the Government of the Democratic Republic of the Congo to obtain rent-free premises as foreseen in the cooperation agreement signed by UNICEF and the Government on 12 August 2000.

23. *Status: Implemented and closed on 28 January 2015.*

Annex 4

Results of 2014 investigations

	Summary description of allegation	Investigation result
A.	**Bribery, corruption and kickbacks**	
1.	Staff members benefited financially from contracts issued to vendors.	Unsubstantiated. Closure memo.
2.	Staff member summoned to court on charges of kickback solicited from a consultant.	Unsubstantiated. Closure memo.
3.	Staff members solicited kickbacks in exchange for consultancy placements.	Unsubstantiated. Closure memo.
B.	**Burglary, robbery or theft of UNICEF property or funds**	
4.	Staff member stole from colleagues by taking cash totalling $6,098 for private air travel tickets and charging the country office.	Staff member resigned. Closure memo.
5.	Staff member misappropriated the amount of $500 for the visa of a consultant.	Staff member resigned after returning $500. Closure memo.
6.	Four separate incidents of theft of information and communication technology (ICT) equipment with loss of $4,468.	Perpetrators could not be identified. Closure memo.
7.	Theft of ICT equipment totalling $1,051.	Perpetrators could not be identified. Closure memo.
8.	Theft of ICT equipment totalling $9,665.	Perpetrators could not be identified. Closure memo.
9.	Theft of fuel totalling $6,100.	Perpetrators could not be identified. Closure memo.
10.	Staff member distributed UNICEF property worth $36,000 without authorization.	Investigation report.

	Summary description of allegation	Investigation result
11.	Theft of UNICEF fixed assets totalling $2,848.	Investigated by local police. Closure memo. Amount of $242 recovered.
12.	Staff member removed material of insignificant value.	Unsubstantiated. Closure memo.
13.	Laptops temporarily stored on behalf of the Government were stolen; no financial loss to UNICEF.	Investigated by local police. Closure memo.
14.	Staff member involved in procurement and other irregularities of unquantifiable amount over a period of time.	Investigation report.
C.	**Conflicts of interest**	
15.	Staff member received favours from a non-governmental organization (NGO) implementing partner.	Unsubstantiated. Closure memo.
16.	Conflict of interest involving an implementing partner.	Investigation report.
17.	Unauthorized outside activity.	Staff member resigned. Closure memo.
18.	Conflict of interest involving a service provider.	Unsubstantiated. Closure memo.
D.	**Entitlement fraud**	
19.	Irregular rental subsidy claims totalling $19,000.	Investigation report. The amount of $19,000 was recovered.
20.	Dependent of deceased staff member still obtaining pension benefits by deception.	Referral to the United Nations Joint Staff Pension Fund.
21.	Attempt at entitlement fraud; however no payment made by the country office (CO) and no financial loss to UNICEF.	Staff member resigned. Closure memo.
E.	**Fraud involving misuse of programme funds by third parties**	
22.	Former Director of an NGO admitted taking approximately $10,000 of funds remaining from workshops for his personal use.	Investigation report.

	Summary description of allegation	Investigation result
23.	Vendor attempted double payments for outstanding invoices, which was contested by the CO.	OIAI reconciled the dispute between the CO and the vendor and issued a closure memo.
24.	The CO requested to cooperate with a police investigation into a Government implementing partner.	Project funds were accounted for satisfactorily. Closure memo.
25.	Government implementing partner's staff member kept programme activity funds of $13,462 for future implementation.	No intent of fraud and $13,462 was recovered. Closure memo.
26.	Implementing partner manager misused $230,437 of programme funds.	Investigation report.
27.	Implementing partner misused programme funds.	Unsubstantiated. Closure memo.
28.	(a) Irregularities, including misuse of project funds by an NGO. (b) A discrepancy in the quality of project supplies used by the NGO amounting to $4,042.	(a) Unsubstantiated. Closure memo. (b) The NGO reimbursed $4,042 to UNICEF.
29.	Implementing partner misused programme funds and staff were involved in irregularities during the liquidation process of the programme.	Unsubstantiated. Closure memo.
30.	Implementing partner misused programme funds.	Unsubstantiated. Closure memo.
31.	Sub-contractor misused programme funds.	Unsubstantiated. Closure memo.
32.	Sub-contractor submitted fake receipts.	Unsubstantiated. Closure memo.
F.	**Gross mismanagement**	
33.	Staff member certified the release of cash advances without complying with due diligence requirements.	Investigation report.
34.	Staff member did not quality assure donor report after supervisee exaggerated expenditure in order for CO to receive second tranche of funding.	Unsubstantiated. Closure memo.

	Summary description of allegation	Investigation result
35.	Staff member approved and signed documents without checking that supervisee had presented accurate transactions.	Unsubstantiated. Closure memo.
36.	Staff member as officer in charge approved and signed documents without checking that supervisee had presented accurate documentation.	Unsubstantiated. Closure memo.
G.	**Harassment and abuse of authority**	
37.	Harassment or abuse of authority by supervisor.	Unsubstantiated. Closure memo.
38.	Harassment by another staff member.	Withdrawn. Closure memo.
39.	Harassment by another staff member.	Withdrawn. Closure memo.
40.	Staff member alleged harassment and abuse of authority after contract non-renewal.	Unsubstantiated. Closure memo.
41.	Abuse of authority by supervisor.	Unsubstantiated. Closure memo.
42.	Abuse of authority by supervisor.	Unsubstantiated. Closure memo.
H.	**Inappropriate staff conduct**	
43.	Staff member involved in an altercation with day labourer.	Investigation report.
44.	Employment scam.	No UNICEF staff involvement. Closure memo.
45.	Staff members forced to cooperate with anti-Government rebel forces during an evacuation of the town.	Actions resulted in the safe passage of staff members and their families and safeguarding of UNICEF assets. Closure memo.
46.	Staff member arrested by airport security.	Local authorities found no local laws were violated, and released staff member without charges. Closure memo.
47.	Staff members complained about the conduct of a fellow staff member.	CO took appropriate actions and developed a performance improvement plan. Closure memo.
48.	Third-party sub-contractor complained of harassment/discrimination by a staff member and requested compensation.	Unsubstantiated. Closure memo.

	Summary description of allegation	Investigation result
49.	Communication purported to have been sent by a staff member to a donor agency, discrediting the local government.	Unsubstantiated. Closure memo.
50.	Staff member was involved in an altercation with a contractor.	Investigation report.
51.	Staff member over-reported programme expenditure in a donor report.	Investigation report.
52.	Misuse of office ICT assets by staff.	Investigation report.
53.	Staff member used money given by another staff for reasons other than the intended purpose.	Investigation report.
I.	**Medical Insurance Plan fraud**	
54.	Fraudulent medical insurance claim. No loss as the health insurance provider kept the claim pending.	Investigation report.
55.	Fraudulent medical insurance claim of $1,623.	Investigation report. Staff member repaid $1,623.
56.	Fraudulent medical insurance claim. No loss as the health insurance provider kept the claim pending.	Investigation report.
J.	**Miscellaneous**	
57.	Member of the public complained regarding distribution of aid by implementing partner.	Unsubstantiated. Closure memo.
58.	Falsified credentials submitted as part of recruitment process.	Staff member abandoned the post and CO proceeded with separation. Closure memo.
59.	Implementing partner misused programme funds.	Unsubstantiated. Closure memo.
60.	Supplies for internally displaced persons sold at campsites and local markets.	OIAI found through independent verification that the supplies were not from UNICEF but another agency. OIAI made a referral to the United Nations agency concerned.
61.	Implementing partner did not deliver latrines as per agreement.	Unsubstantiated. Closure memo.
62.	Implementing partner misused funds with the knowledge of CO.	Unsubstantiated. Closure memo.

	Summary description of allegation	Investigation result
63.	Irregularities in distribution of supplies by implementing partner.	Unsubstantiated. Closure memo.
K.	Personnel disputes	
64.	Recruitment irregularity.	Unsubstantiated. Closure memo.
L.	Procurement irregularities	
65.	Staff member amended Programme Cooperation Agreement budget to allow expenditure of $8,300 without prior authorization.	Staff member resigned. Closure memo. The entire amount of $8,300 was recovered.
66.	Procurement irregularities in selection of the vendor in several COs, with impact totalling $374,958.	Advisory report recommending recovery of funds.
M.	Sexual harassment or exploitation	
67.	Sexual advances made towards an intern.	Withdrawn. Closure memo.
68.	Sexual harassment by a staff member.	No follow up by complainant. Closure memo.
N.	Unauthorized use or misuse or waste of UNICEF funds or property	
69.	Irregular transfer of grant expiring funds to an implementing partner.	Unsubstantiated. Closure memo.
70.	Staff member borrowed project funds from an implementing partner and failed to pay back in time for liquidation.	Unsubstantiated. Closure memo.
O.	Whistle-blower retaliation	
71.	Retaliation reported by Ethics Office.	Investigation report to the Ethics Office.
72.	Retaliation reported by Ethics Office.	Investigation report to the Ethics Office.